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Ernest Seyd (Bullion, page 631) ascribes the occasional higher prices of silver in London to the demands for the eastern trade, and adds that "on the continent silver has varied but little in price." Sir Isaac Newton, in 1717, treated much larger fluctuations in London, arising from the same cause, as of no importance. In his report, then made as master of the mint, he determined the average price of silver in London to be 64¼ pence, and adds:

When ships are lading for the East Indies, the demand of silver for exportation raises the price to 66 or 68 pence, or above, but I consider not those extraordinary cases.

The sudden increase of the demand for silver in England in 1859, is shown by the fact that British silver exports to the east rose from £4,753,933 in 1858 to more than three times that amount in 1859.

The steadiness in the relative market value of the two metals under a sudden and great increase of the supply and stock of gold having been thus demonstrated by experience, it is incredible that it can have been at all affected by the smaller and slower increase of the last few years in the supply and stock of silver. For a long period of time prior to 1848, silver had been produced greatly in excess of gold, and is not now produced equally with it, and it is not likely to be so produced in many years. The most that can be said is, that the yield of silver has recently recovered from a temporary relative deficiency. Its present increased yield, as has been shown, is principally from the Comstock lode. Even if an excessive relative production of either metal would tend to disturb the relative value of the metals, the production of the Comstock lode, which yields almost as much gold as silver, could not occasion such a disturbance.

The results following the extraordinary supply of gold from California and Australia, as well as those which followed the extraordinary supply of silver after the discovery of America, show that the steadiness of the relative value of the metals, under the great vicissitudes of production, is sufficiently great to justify their concurrent uses as money, and is very much greater than the steadiness in the value of either or both of them, as compared with all other things.

One cause for the steadiness in the relative value of gold and silver is perhaps to be found in the hypothesis that during the past three centuries, when the variations in their relative market value has oscillated between 14 and 16 of silver to 1 of gold, the variations in the relative cost of producing them have also been between 14 and 16 to 1, taking into account all the varying conditions of production. But while there seems to be a not very unsteady relation of value between the metals, independent of legislation, whether based upon cost of production over long terms of time, as assumed in the foregoing hypothesis, or upon the relative magnitude of the accumulated stocks of gold and silver, or upon some other foundation, it also appears to be established by experience that law can make the relation exact and permanent, within the range of fluctuations determined by other causes. A law undervaluing any particular commodity, whose current production rarely exceeds its current consumption, would be speedily defeated by a stoppage of its production and the disappearance of the article undervalued. The enormous stocks of the precious metals, the accumulations of centuries, and imperishable, so greatly exceed in amount either the production or consumption of any one year, or of scores of years, that the law can control their relative value in the performance of the money function which it confers on them. It is the enormous surplus of the precious metals over and above the demand for them as commodities which places it within the power of the law to control their relative values, and the larger this surplus is the more exactly and permanently can the law control them. The view seems extreme and untenable that this power of the law is without limit, as, for instance, that it could permanently make silver and gold equal in value pound for pound. At that rating, gold would be produced only under exceptional circumstances, and the gold in existence would rapidly leave the coinages for the the other uses, to which it is essential, or pre-eminently adapted.

Whenever the surplus stock of the undervalued metal should disappear, the power of the law to control its value relative to the other metal would cease. The demand for it in the arts would be superior to the demand for it as money, and would absorb the current production at higher than mint rates. But whatever doubt may exist as to the possibility of establishing an equivalency between the metals of one for one, or any other extraordinary equivalency, there can be no doubt that the United States alone could by law establish exactly and permanently an equivalency between them, which has practically withstood the mutations and frictions of three centuries of time.

The use of the precious metals as money is as old as tradition, and there can be no doubt that this use originated in the universal estimation in which these beautiful metals had always been held and in the qualities of durability, divisibility and portability which fit them for the monetary function. Nor can there be any doubt that originally the value of gold and silver followed closely the cost of their production, and that the demand for them as commodities was the controlling, but variable, force in regulating their values. But when in the progress of society large stocks of the metals had been accumulated and their use as money had become established, that use and demand which resulted from it became the controlling force in regulating the values. Demand and supply are the sole factors out of which exchangeable value arises. The demand for gold and silver as commodities is limited and fluctuating, but when the law invests them with the higher function of money and makes them the common denominator of all values, that limited and fluctuating demand is changed to an unlimited and constant one, which fixes their value for other and inferior purposes.

The demand for the precious metals as commodities is believed by many to be still essential to their general and ready acceptance as money. If this is true, it is a misfortune. The happiness and prosperity of the world, if not wholly dependent upon, are largely influenced by, the steadiness of the value of money, which cannot exist without steadiness in its volume. The demand for the precious metals as commodities is fitful and irregular, and always affects the volume of money in the most injurious direction, that of decreasing it. History shows that a deficiency of money is more probable and more to be feared than an excess, and this deficiency is caused in a great measure by the insidious and constant encroachment upon the precious metals of other demands for them than as money. When the magnitude of the world's interests and equities, which rest on steadiness in the value of money, is contrasted with the comparative unimportance of the uses of the metals as commodities, it becomes apparent that the subjection of the value of money to disturbance from the demands for gilded signs and looking glasses, for bangles and breast-pins, is an evil which the benefits derived from such uses but poorly compensate.

The power of law in steadying the relative value of the metals has been signally illustrated during the extraordinary variations of the last thirty years in their relative supply. To whatever extent gold depreciated in relation to commodities from 1848 to 1865, after the California discoveries, silver depreciated to the same extent, notwithstanding the enormous decrease in its relative production during that period. The two metals fell together because the ligature of law was strong enough to hold them together. The French law of 1803 held their relations steady in Europe until it was practically abrogated by the limitation of silver coinage in 1874, and its total suspension in 1876. Jevons likens the stocks of the two metals to two reservoirs, supplied from independent sources, and, therefore, tending to differences of level, but actually kept at the same level by a connecting pipe. The connecting pipe between the metals is the law, which establishes a legal relation of value between them, and which, by authorizing their interchangeable use as money, maintains their market and legal relation of values at the same level.

It is not claimed that law can directly control the relative values of the metals, or of anything else. But it is claimed that upon the slightest divergence between the two metals, the law of the double standard creates a new and constant demand for the cheaper metal, while at the same time it suspends all demand for the dearer one, and, until the equivalency is restored, furnishes a supply of the dearer metal to the markets of the world. It thus operates on demand and supply, which, it is not denied, are the sole factors of value.

The power of a country whose laws establish the double standard, to steady the relative value of the metals in the markets of the world depends, first, upon the aggregate amount of its metallic circulation, and, second, upon the proportions of each metal in that supply. A country with a metallic circulation of, say, $150,000,000 in gold and $250,000,000 in silver, has the power to furnish to the world's markets those amounts respectively of both gold and silver, and to take in corresponding amounts of the other metals. Under these conditions it could to that extent check fluctuations in either direction and from whatever cause arising in the relative value of the metals. But if the metallic money of a country were $400,000,000, wholly in silver or gold, it could only prevent a rise in the relative value of the particular metal which it possessed, which it could do by yielding up to the markets the whole of that metal and absorbing in its place an equal amount of the other. Thus France during the period of the greatest gold yield, absorbed under the free operation of the double standard not less than $500,000,000 and probably $700,000,000 in gold in eight years and yielded up a sufficient amount of silver to maintain the equivalency between the metals.

The metallic circulation of Great Britain is generally estimated at $600,000,000, and of France at $1,000,000,000. On a comparison with any other on a metallic basis, $500,000,000 is the least amount of metallic money that can be assumed to be sufficient for this country in the event of resumption. With that amount divided between gold and silver in any proportion which can be conceived to be probable, the power of the United States would be sufficient to maintain the equivalency of the metals against greater fluctuations in the supply and demand than have ever occurred in the direction of depreciating silver, or are ever likely to occur in either direction.

It has not been deemed necessary, in view of the patent and accumulated facts of experience, to present all the technical and theoretical arguments and subtile considerations which sustain the theory that supply and demand, as commonly understood, have only a minor influence upon the value of a vast surplus of any commodity which the law invests with the functions of money, and that law is the major and paramount influence, not in controlling the value of money in relation to other things, but in creating an automatically shifting demand and regulating through it the relation of value between the surplus stocks of two commodities invested with the functions of money.

The first treaty concerning a relation of value between the two metals was made between France, Italy, Switzerland and Belgium, in 1865, and known as the Latin Union. This treaty made permanent in those countries, until 1880, the relation which had previously existed in each of them of 15½ of silver to 1 of gold. The advantages of an agreement between double standard countries, upon the relation of value between gold and silver, seem obvious at the present day. In all times past, the relation has been established not by concerted action, but by each nation acting for itself, with the apparent design of securing some supposed advantage in matters of commerce and money. It was long supposed that there was something to be gained by retaining the one metal rather than the other, and that the threatened exportation of the favored metal ought to be prevented by its legal over-valuation in relation to the other metal. Even the great mind of Sir Isaac Newton did not wholly escape the influence of the prevailing delusions of his time, and his report of 1717 upon the relation of the metals is mainly directed to a demonstration of the relation most likely to prevent the exportation of silver. Our own legislation on this subject has not been faultless. The legal relation of gold to silver of 1 to 15, originally established in 1792, was an under-valuation of